

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of November 8, 2022 and should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and Notes for the three- and nine-month period ended September 30, 2022 and the MD&A and Audited Consolidated Financial Statements and Notes for the year ended December 31, 2021. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the third quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com and on the Company's website at www.airboss.com.

FORWARD-LOOKING INFORMATION

Certain statements contained or incorporated by reference herein, including those that express management's expectations or estimates of future developments or AirBoss' future performance, constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could", "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Statements containing forward-looking information are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking information involves known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions, notably including its impact on demand for rubber solutions and products; dependence on key customers; global defense budgets, notably in the Company's target markets, and success of the Company in obtaining new or extended defense contracts; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage and non-compliance with environmental laws and regulations; impact of global health situations; potential product liability and warranty claims and equipment malfunction. COVID-19 could also negatively impact the Company's operations and financial results in future periods. There is increased uncertainty associated with future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods. While the direct impacts of COVID-19 are not determinable at this time, the Company has a credit facility that can provide financing up to \$250,000. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking information.

All of the forward-looking information in this Interim Report is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking information. All subsequent written and oral forward-looking information attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this Interim Report and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly the forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

OVERALL PERFORMANCE**Recent Highlights****(in US dollars)**

- Received orders of up to \$40.6 million for Husky 2G Vehicles and accessories;
- Declared a quarterly dividend of C\$0.10 per common share;
- Generated Adjusted EBITDA of \$1.3 million; and
- Net Debt to Adjusted EBITDA ratio at September 30, 2022 ("Q3 2022") was 1.92x.

Selected Financial Information

<i>In thousands of US dollars, except share data (unaudited)</i>	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
Financial results:				
Net sales	104,682	112,027	359,702	337,805
Profit (loss)	(55,957)	6,902	(43,889)	31,541
Adjusted Profit ¹	(11,843)	7,040	234	31,833
Earnings (loss) per share (US\$)				
– Basic	(2.07)	0.26	(1.62)	1.17
– Diluted	(2.07)	0.24	(1.62)	1.11
Adjusted earnings (loss) per share ¹ (US\$)				
– Basic	(0.44)	0.26	0.01	1.18
– Diluted	(0.44)	0.25	0.01	1.12
EBITDA ¹	(56,394)	13,752	(26,239)	53,056
Adjusted EBITDA ¹	1,271	13,922	31,438	53,380
Net cash provided by (used in) operating activities	(15,847)	(125,723)	(38,655)	(136,392)
Free cash flow ¹	(18,525)	(130,444)	(45,625)	(149,391)
Dividends declared per share (CAD\$)	0.10	0.10	0.30	0.27
Capital additions	2,687	4,724	6,983	17,560
Financial position:	September 30, 2022		December 31, 2021	
Total assets	422,323			443,264
Debt ²	133,191			80,563
Net Debt ¹	111,861			56,033
Shareholders' equity	185,946			235,148
Outstanding shares*	27,092,041			26,993,181
	<i>*27,092,041 at November 8, 2022</i>			

¹ See Non-IFRS and Other Financial Measures² Debt as at September 30, 2022 and December 31, 2021 include lease liabilities of \$15,546 and \$17,399, respectively.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and Non-IFRS and Other Financial Measures. Management believes that these measures provide useful information to investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. These terms are not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

EBITDA and Adjusted EBITDA are non-IFRS measures used to measure the Company's ability to generate cash from operations for debt service, to finance working capital and capital expenditures, potential acquisitions and to pay dividends. EBITDA is defined as earnings before income taxes, finance costs, depreciation, amortization, and impairment costs. Adjusted EBITDA is defined as EBITDA excluding acquisition costs, and non-recurring costs. A reconciliation of Profit to EBITDA and Adjusted EBITDA is below.

<i>In thousands of US dollars</i>	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	2022	2021	2022	2021
EBITDA:				
Profit (loss)	(55,957)	6,902	(43,889)	31,541
Finance costs	1,282	1,740	3,767	3,421
Depreciation, amortization and impairment	5,412	4,885	16,401	14,378
Income tax expense (recovery)	(7,131)	225	(2,518)	3,716
EBITDA	(56,394)	13,752	(26,239)	53,056
Write-down of inventory	57,001	—	57,001	—
AFP professional fees	664	—	676	—
Prospectus and acquisition fees	—	170	—	324
Adjusted EBITDA	1,271	13,922	31,438	53,380

Adjusted profit is a non-IFRS measure defined as profit before acquisition costs and non-recurring costs. This measure and Adjusted earnings per share are used to evaluate operating results of the Company. A reconciliation of Profit to Adjusted profit and Adjusted earnings per share is below.

<i>In thousands of US dollars</i>	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	2022	2021	2022	2021
Adjusted profit:				
Profit (loss)	(55,957)	6,902	(43,889)	31,541
Write-down of inventory	43,606	—	43,606	—
AFP professional fees	508	—	517	—
Prospectus and acquisition fees	—	138	—	292
Adjusted profit	(11,843)	7,040	234	31,833
Basic weighted average number of shares outstanding	27,092	26,985	27,063	26,964
Diluted weighted average number of shares outstanding	27,092	28,370	27,063	28,305
Adjusted earnings per share (in US dollars):				
Basic	(0.44)	0.26	0.01	1.18
Diluted	(0.44)	0.25	0.01	1.12

MD&A (cont'd)

Net Debt measures the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. A reconciliation of loans and borrowings to Net Debt is below.

In thousands of US dollars	September 30, 2022 (unaudited)	December 31, 2021
Net Debt:		
Loans and borrowings - current	2,259	2,356
Loans and borrowings - non-current	130,932	78,207
Leases included in loans and borrowings	(15,546)	(17,399)
Cash and cash equivalents	(5,784)	(7,131)
Net Debt	111,861	56,033

The Company has a Net Debt to trailing twelve-month Adjusted EBITDA ratio of 1.92x (from 0.70x at December 31, 2021).

Free cash flow is a non-IFRS measure used to evaluate cash flow after investing in the maintenance or expansion of the Company's business. It is defined as cash provided by operating activities, less cash expenditures on long-term assets. A reconciliation of cash from operating activities to free cash flow is below.

In thousands of US dollars	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	2022	2021	2022	2021
Free cash flow:				
Net cash provided by (used in) operating activities	(15,847)	(125,723)	(38,655)	(136,392)
Acquisition of property, plant and equipment	(2,374)	(4,559)	(6,131)	(12,302)
Acquisition of intangible assets	(304)	(165)	(839)	(706)
Proceeds from disposition	—	3	—	9
Free cash flow	(18,525)	(130,444)	(45,625)	(149,391)
Basic weighted average number of shares outstanding	27,092	26,985	27,063	26,964
Diluted weighted average number of shares outstanding	27,092	26,985	27,063	26,964
Free cash flow per share (in US dollars):				
Basic	(0.68)	(4.83)	(1.69)	(5.54)
Diluted	(0.68)	(4.83)	(1.69)	(5.54)

OVERVIEW

The Company worked diligently to address the impact of current economic conditions during the quarter, including actions to mitigate on-going global freight, labor and logistics challenges, as well as raw material price escalations. We remained focused on operational execution, growth initiatives and key investments, with strong traction for the quarter at ARS, ADG's continued focus on its opportunities pipeline, and continued progress to address the related commercial impacts to AEP. The Company remains committed to solidifying its position in the PPE, health care and survivability sectors and supporting its customers, employees and stakeholders.

Despite the challenges faced during this quarter, the Company continued to exercise risk mitigation initiatives within its supply chain, securing alternative raw material sources and remaining focused on optimization of supply chain strategies. Continued recovery of volumes remains subject to the ongoing management of stable and sustained operations of businesses globally, which remains complex and volatile, specifically considering evolving and ongoing challenges such as inflation pressure. Notwithstanding these challenges, including further constraints on our supply chain for the foreseeable future in the remainder of 2022 and into 2023, the Company believes it is positioned to capture continued opportunities during the coming quarters.

ADG remains focused on its survivability solutions platform while targeting traditional defense contracts, which could result in the execution of meaningful opportunities over the next several years. In addition, ADG continues to work with its key customers to leverage the opportunities in its pipeline, which remains robust and is expected to support growth initiatives, subject to timing as delays in the conversion of these opportunities are expected to continue through the fourth quarter of 2022. Management continues to believe that the future sourcing of PPE for first responders and healthcare professionals will remain a necessity and priority for front line workers, evidenced by the strong pipeline of PPE-related opportunities that ADG is currently pursuing.

ARS continued to see strong demand despite labor constraints that adversely affected volume in the quarter. The segment remains focused on optimizing its equipment capacity across all its locations and executing on its strategy to deliver strong

MD&A (cont'd)

results with specialized products, expanded production of a broader array of compounds (white and color) and enhanced flexibility in attracting and fulfilling new business through identified synergies and margin expansion. ARS continues to leverage its scale and global supply chain management expertise to manage ongoing logistics and raw material risks while supporting new customers to drive volume and growth. The segment also continues to focus on research and development investments with its broad expertise to support enhanced collaboration with customers to develop innovative and proprietary technical solutions.

The AirBoss Engineered Products segment continued to be impacted by labor and supply chain challenges and significant raw material price increases including electronic chip shortages impacting OEM production schedules. Management continues to accelerate pricing strategies with its key customers to ensure a fair and equitable path forward and is optimistic of results materializing in the near term. The Company remains committed to addressing key challenges in this segment including margin improvement with targeted cost management, enhanced pricing strategies with raw material indexing and by fully leveraging its investments in advanced manufacturing. AEP also continued to focus on its operational improvement plan with a heightened focus on sustaining a stable hourly workforce while dealing with volume reductions in the automotive sector, as well as focus on diversification of its product lines into sectors adjacent to the automotive space.

Despite the continued headwinds associated with economic and geopolitical issues, the Company's longer-term priorities remain intact and include:

1. **Growing the core Rubber Solutions segment** by positioning it as a specialty supplier of choice in the consolidating North American market, with a growing focus on building defensible leadership positions in selected compounds;
2. **Capitalizing on ADG's enhanced scale and capabilities** to pursue an array of growth and value-creation opportunities in the broader survivability solutions segment serving both defense and first responder markets;
3. **Driving improved performance from Engineered Products** through a combination of disciplined cost containment, client relationship expansion, new product development and sector diversification; and
4. **Targeting additional acquisition opportunities across the business** with a focus on adding new compounds and products, technical capabilities, and geographic reach into selected North American and international markets.

As before, management remains dedicated to the creation of long-term value for all stakeholders through a combination of strategic initiatives that both drive organic growth and support possible accretive transactions.

RESULTS OF OPERATIONS - For the three- and nine-month periods ended September 30, 2022 compared to 2021

NET SALES

Consolidated net sales for Q3 2022 decreased by 6.6% to \$104,682 compared with the three-month period ended September 30, 2021 ("Q3 2021"). This decrease was primarily attributable to ADG's delivery of nitrile gloves to the U.S. Department for Health and Human Services ("HHS") in the prior year, partly offset by the increased sales at Rubber Solutions across the majority of customer sectors.

Consolidated net sales for 2022 year-to-date increased by 6.5% to \$359,702 compared with 2021 year-to-date due to increased sales at Rubber Solutions across the majority of customer sectors, partially offset by ADG's delivery of filters and nitrile gloves to HHS in the prior year, and softer volumes in the Engineered Products segment.

Three-months ended September 30 <i>In thousands of US dollars</i>	AirBoss Defense Group	Rubber Solutions	Engineered Products	Inter-segment net sales	Total	
Net Sales	2022	23,553	58,484	29,176	(6,531)	104,682
	2021	52,179	39,861	28,328	(8,341)	112,027
Increase (decrease) \$		(28,626)	18,623	848	1,810	(7,345)
Increase (decrease) %		(54.9)	46.7	3.0	(21.7)	(6.6)
Nine-months ended September 30 <i>In thousands of US dollars</i>	AirBoss Defense Group	Rubber Solutions	Engineered Products	Inter-segment net sales	Total	
Net Sales	2022	113,354	178,371	85,857	(17,880)	359,702
	2021	154,026	118,937	88,312	(23,470)	337,805
Increase (decrease) \$		(40,672)	59,434	(2,455)	5,590	21,897
Increase (decrease) %		(26.4)	50.0	(2.8)	(23.8)	6.5

AirBoss Defense Group

Net sales in the AirBoss Defense Group segment for Q3 2022 decreased by 54.9% to \$23,553, from \$52,179 in Q3 2021. The decrease was primarily the result of the large HHS nitrile patient examination contract in 2021.

Net sales in the AirBoss Defense Group segment for 2022 year-to-date decreased by 26.4% to \$113,354, from \$154,026 for 2021 year-to-date. The decrease was primarily the result of the large HHS contracts delivered in 2021.

MD&A (cont'd)

Rubber Solutions

Net sales in the Rubber Solutions segment for Q3 2022 increased by 46.7% to \$58,484, from \$39,861 in Q3 2021. Volume was up 1.3%, with increases across many sectors despite continuing supply chain challenges related to raw material supply and elevated freight costs. Tolling volume was down 50.3% while non-tolling was up 13.3%. In tolling applications, the Company only realizes net sales on the provision of compounding services for customer-supplied material, versus non-tolling where AirBoss also supplies the raw material inputs that are reflected in net sales.

Net sales in the Rubber Solutions segment for 2022 year-to-date increased by 50.0% to \$178,371, from \$118,937 for 2021 year-to-date. Volume was up 7.8%, with increases across the majority of sectors and continued ramp up of most customer's operations despite some residual softness due to certain economic headwinds. Year-to-date tolling volume was down 3.5% while non-tolling was up 10.6%.

Engineered Products

Net sales in the Engineered Products segment for Q3 2022 increased by 3.0% to \$29,176, from \$28,328 in Q3 2021. The increase was due to a favorable mix in the SUV, light truck and mini-van platforms. This was partially offset by lower production of other automotive platforms and certain molded defense products.

Net sales in the Engineered Products segment for 2022 year-to-date decreased by 2.8% to \$85,857, from \$88,312 for 2021 year-to-date. The decrease was due to lower automotive volumes across many platforms and specifically in SUV, light truck and mini-van platforms compared to the same period in 2021 as the automotive sector continued to manage volume volatility given the challenges with global electronic chip shortages in addition to freight and logistics constraints. This softness is anticipated to continue into the foreseeable future.

GROSS PROFIT

Consolidated gross profit for Q3 2022 decreased by \$72,813 to \$(47,037), compared with Q3 2021, driven by a \$57.0 million non-cash write-down at ADG related to nitrile glove inventory, the delivery of nitrile gloves to HHS in 2021, and lower volume at Engineered Products, partially offset by strong improvement at Rubber Solutions driven by higher volumes.

Consolidated gross profit for 2022 year-to-date decreased by \$85,490 to \$(636) compared with 2021 year-to-date, driven by the \$57.0 million non-cash write-down at ADG related to nitrile gloves, the delivery of filters and nitrile gloves to HHS in 2021, the elimination of government-directed wage subsidies, and margin compression at Engineered Products due to labor, freight and raw material increases, partially offset by significant improvements at Rubber Solutions.

Three-months ended September 30		AirBoss Defense Group	Rubber Solutions	Engineered Products	Total
<i>In thousands of US dollars</i>					
Gross Profit	2022	(51,299)	8,370	(4,108)	(47,037)
	2021	22,827	4,268	(1,319)	25,776
Increase (decrease) \$		(74,126)	4,102	(2,789)	(72,813)
% of net sales	2022	(217.8)	14.3	(14.1)	(44.9)
	2021	43.7	10.7	(4.7)	23.0

Nine-months ended September 30		AirBoss Defense Group	Rubber Solutions	Engineered Products	Total
<i>In thousands of US dollars</i>					
Gross Profit	2022	(13,874)	26,169	(12,931)	(636)
	2021	68,834	14,967	1,053	84,854
Increase (decrease) \$		(82,708)	11,202	(13,984)	(85,490)
% of net sales	2022	(12.2)	14.7	(15.1)	(0.2)
	2021	44.7	12.6	1.2	25.1

AirBoss Defense Group

Gross profit at AirBoss Defense Group for Q3 2022 decreased by 324.7% to \$(51,299) from \$22,827 in Q3 2021. Gross profit at AirBoss Defense Group for 2022 year-to-date decreased by 120.2% to \$(13,874) from \$68,834 for 2021 year-to-date. The decreases were primarily the result of the \$57.0 million inventory write-down, and deliveries to HHS in 2021, partially offset by favorable volume in ADG's industrial products line.

Rubber Solutions

Gross profit at Rubber Solutions for Q3 2022 increased by 96.1% to \$8,370 (14.3% of net sales) from \$4,268 (10.7% of net sales) in Q3 2021. This was primarily the result of improvement in non-tolling volumes, raw material pass through mechanisms, and managing controllable overhead costs, partially offset by labor challenges and logistics costs.

Gross profit at Rubber Solutions for 2022 year-to-date increased by 74.8% to \$26,169 (14.7% of net sales), from \$14,967 (12.6% of net sales) for 2021 year-to-date, primarily as a result of increased non-tolling volumes compared to the same period in 2021, managing controllable overhead costs, partially offset by labor and logistics costs and a decrease in government-directed subsidies.

MD&A (cont'd)

Engineered Products

Gross profit at the Engineered Products segment for Q3 2022 decreased to \$(4,108) from \$(1,319) in Q3 2021. This was primarily a result of lower volumes in part due to the continued global electronic chip shortages in the automotive sector combined with a slowing economy continued raw material escalations not passed on to customers in addition to freight and logistics constraints partially offset by a continued focus on controllable operational cost containment.

Gross profit at the Engineered Products segment for 2022 year-to-date decreased to \$(12,931) from \$1,053 for 2021 year-to-date. This was primarily a result of a government-directed wage subsidy in 2021 and challenges associated with global electronic chip shortages in the automotive sector combined with raw material cost escalations, customer indexing constraints, freight and logistics challenges and higher related costs partially offset by a continued focus on controllable operational cost containment and managing overhead costs.

OPERATING EXPENSES

Consolidated operating expenses for Q3 2022 decreased by \$2,140. The decreases were primarily due to lower stock-based compensation costs, and lower selling costs, partially offset by higher professional fees related in part to key challenges being addressed at AEP, the inclusion of ACE (which was acquired on August 31, 2021), and a larger foreign exchange loss.

Consolidated operating expenses for 2022 year-to-date decreased by \$4,172. The decreases were primarily due to lower stock-based compensation costs, and lower selling costs, partially offset by the elimination of government-directed wage subsidies, the inclusion of B3 (which was acquired on May 17, 2021) and ACE, higher professional fees related in part to key challenges being addressed at AEP, and a larger foreign exchange loss.

Three-months ended September 30 <i>In thousands of US dollars</i>	AirBoss Defense Group	Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total	
Operating Expenses	2022	5,725	3,003	3,379	2,662	14,769
	2021	8,652	2,186	2,785	3,286	16,909
Increase (decrease) \$		(2,927)	817	594	(624)	(2,140)
% of net sales	2022	24.3	5.1	11.6	N/A	14.1
	2021	16.6	5.5	9.8	N/A	15.1

Nine-months ended September 30 <i>In thousands of US dollars</i>	AirBoss Defense Group	Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total	
Operating Expenses	2022	22,257	9,659	8,982	1,106	42,004
	2021	22,117	6,222	7,504	10,333	46,176
Increase (decrease) \$		140	3,437	1,478	(9,227)	(4,172)
% of net sales	2022	19.6	5.4	10.5	N/A	11.7
	2021	14.4	5.2	8.5	N/A	13.7

AirBoss Defense Group

AirBoss Defense Group's operating expenses for Q3 2022 decreased by \$2,927 to \$5,725 due to lower selling prices related to the nitrile gloves and a larger foreign exchange gain, partially offset by higher administration charges.

AirBoss Defense Group's operating expenses for 2022 year-to-date increased by \$140 to \$22,257 due to the inclusion of B3, higher administration costs and the elimination of government-directed wage subsidies, partially offset by lower selling expenses and a larger foreign exchange gain.

Rubber Solutions

Rubber Solutions' operating expenses for Q3 2022 increased by \$817 to \$3,003. The change was primarily due to the inclusion of ACE's costs for a full quarter, and higher administration costs, partially offset by a larger foreign exchange gain.

Rubber Solutions' operating expenses for 2022 year-to-date increased by \$3,437 to \$9,659. The change was primarily due to the inclusion of ACE's costs, higher administration costs and the elimination of government-directed wage subsidies, partially offset by a foreign exchange gain.

Engineered Products

Engineered Products' operating expenses for Q3 2022 increased by \$594 to \$3,379 due to higher professional fees.

Engineered Products' operating expenses for 2022 year-to-date increased by \$1,478 to \$8,982 due to higher professional fees, and the elimination of government-directed wage subsidies, partially offset by lower administration costs.

Unallocated Corporate Costs

Unallocated corporate costs for Q3 2022 decreased by \$624 to \$2,662. The decrease was principally due to lower stock-based compensation expense and lower administration costs, partially offset by higher professional fees and a larger foreign exchange loss.

MD&A (cont'd)

Unallocated corporate costs for 2022 year-to-date decreased by \$9,227 to \$1,106. The decrease was principally due to lower stock-based compensation expense and lower administration costs, partially offset by higher professional fees and a larger foreign exchange loss.

FINANCE COSTS

Finance costs for Q3 2022 were \$1,282 (2021: \$1,740). The decrease is due to lower borrowings compared to the prior year, and gains related to the interest rate swap.

Finance costs for 2022 year-to-date were 3,767 (2021: 3,421). The increase was primarily due to borrowing to acquire nitrile patient examination glove inventory to fulfill a contract for HHS. For 2021 year-to-date. This increase was partially offset by lower interest on term debt and lower losses on the interest rate swap.

INCOME TAX EXPENSE

The Company recorded an income tax recovery of \$7,131 in Q3 2022 (Q3 2021: expense of \$225) for an effective income tax rate of 11.3% (3.2% in Q3 2021). The effective tax rate was higher in the current quarter primarily due to partial recognition of tax losses in Q3 2022 and a non-taxable loan forgiveness recorded in Q3 2021.

The Company recorded a 2022 year-to-date income tax recovery of \$2,518 (2021: expense of \$3,716) for an effective income tax rate of 5.4% (2021: 10.5%). The effective tax rate was higher in the current year primarily due to partial recognition of tax losses in 2022, utilization of tax losses in 2021 and a non-taxable loan forgiveness in Q3 2021.

The Company conducts business in the US and in Canada. Each jurisdiction is subject to different tax rates and the Company's effective tax rate varies depending on the mix and volume of business in each jurisdiction, as well as the impact of incentives, the effect of permanent differences and the resolution of prior period tax assessments.

PROFIT AND EARNINGS PER SHARE

The loss totaled \$55,957 for Q3 2022, compared with a \$6,902 profit for Q3 2021, and the loss totaled \$43,889 for 2022 year-to-date compared with a \$31,541 profit for 2021 year-to-date. Basic and fully diluted net earnings per share in Q3 2022 were \$(2.07) compared with \$0.26 and \$0.24, respectively, for Q3 2021. Basic and fully diluted net earnings per share for 2022 year-to-date was \$(1.62) compared with \$1.17 and \$1.11, respectively, for 2021 year-to-date. The decreases were primarily attributable to ADG's \$57.0 million inventory write-down, deliveries of filters and nitrile gloves to HHS in 2021.

QUARTERLY INFORMATION

Quarter Ended	Net Sales	Profit	Earnings per share	
			Basic	Diluted
<i>In thousands of US dollars</i>				
2022				
September 30, 2022	104,682	(55,957)	(2.07)	(2.07)
June 30, 2022	110,547	2,492	0.09	0.09
March 31, 2022	144,473	9,576	0.35	0.34
2021				
December 31, 2021	249,053	15,162	0.56	0.53
September 30, 2021	112,027	6,902	0.26	0.24
June 30, 2021	118,449	18,320	0.68	0.65
March 31, 2021	107,329	6,319	0.23	0.22
2020				
December 31, 2020	132,180	15,902	0.61	0.59

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its remaining 2022 operating cash requirements, including required working capital investments, capital expenditures and scheduled lease payments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility provides financing up to \$250,000, and \$120,038 was drawn against this facility as at September 30, 2022.

During 2022 year-to-date, cash of \$38,655 was used by operations (2021: \$136,392), \$6,970 was used by investing activities (2021: \$58,997), and \$44,040 was provided by financing activities (Q3 2021: \$120,631). Cash and cash equivalents decreased by \$1,347 from \$7,131 to \$5,784, adjusted for the effect of exchange rate fluctuations on cash held.

MD&A (cont'd)

Operating activities

Cash used by operating activities decreased by \$97,737 compared with 2021. The decrease was due to \$119,569 less cash used for working capital needs, offset by lower non-cash expenses of \$48,160 and lower profit of \$75,430, partially offset by lower income tax payments of \$6,348.

Cash used for working capital for 2022 increased to \$57,471 (2021: \$177,040) as a result of the following factors:

- Cash used for accounts receivable was \$5,877, primarily due to increased sales at the Rubber Solutions segment and slower collections at Engineered Products segment, partly offset by reduced sales at AirBoss Defense Group due to collection of receivables outstanding at year end related to its delivery of nitrile gloves to HHS.
- Cash used for inventory was \$29,932, primarily related to Rubber Solutions Segment for raw material safety stock and due to raw material price increases and AirBoss Defense Group's carryover inventory of nitrile gloves.
- Cash used for prepaid expenses was \$2,917, primarily for deposits at Rubber Solutions to acquire raw materials.
- Cash used for accounts payable was \$19,667 due to lower volumes at AirBoss Defense Group and Engineered Products segment relative to the quarter ended December 31, 2021, partially offset by increased activity at the Rubber Solutions segment.
- Cash from provisions of \$922 related to the residual amount owing for a legal provision, partially offset by the payout of preferred share units and payments to former owners of acquired businesses.

Investing Activities

Property, Plant and Equipment

During 2022 year-to-date, the following investments were made:

- AirBoss Defense Group invested \$1,237. \$377 was invested in growth initiatives, and the balance was to replace or upgrade existing property, plant and equipment;
- Rubber Solutions invested \$4,067. \$618 was invested in growth initiatives, \$819 in cost savings initiatives, and the balance to replace or upgrade existing property, plant and equipment;
- Engineered Products invested \$827. \$196 was invested in growth initiatives, \$352 was invested in cost savings initiatives, and the balance to replace or upgrade existing property, plant and equipment.

Intangible Assets

During 2022 year-to-date, the Company invested \$839 in intangible assets for financial reporting and productivity software.

Financing activities

In September 2021, the Company updated its credit facilities to increase revolving credit availability to \$250 million from \$150 million, with an accordion of \$75 million (from \$50 million) available upon the satisfaction of customary conditions for such features. The new facility bears interest at LIBOR plus applicable margins from 145 to 250 basis points, depending on covenants, and matures on September 23, 2026. Proceeds from the new facility were used to repay the Company's term loan and fund upfront payments related to acquisition of finished goods and other inventories, related primarily to execution on existing contracts.

In September 2022, the Company's lenders agreed to exclude the \$57 million charge related to the nitrile gloves from the financial covenants.

During 2022 year-to-date, the Company paid \$1,811 (2021: \$1,662) of principal payments for its lease obligations.

The Company paid dividends of \$6,353 during the 2022 year-to-date (2021: \$5,180).

Government assistance

On May 1, 2021, the Company received a \$6,422 loan pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, to fund certain payroll and business expenses of the Company's Michigan and North Carolina operations. This loan bore interest at 1.0% and was scheduled to mature on May 1, 2022. On June 30, 2021, the loan and accrued interest was forgiven, and the Company recorded a reduction to cost of sales and operating expenses of \$5,560 and \$936, respectively, in the consolidated statement of profit.

The Government of Canada provided the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") to support businesses affected by COVID-19 based on certain criteria, including demonstration of revenue declines as result of COVID-19. The Company recorded CEWS and CERS as a reduction to cost of sales and operating expenses in the consolidated statement of profit.

Scientific research and investment tax credits of \$161 (2021: \$227) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date \$492 (2021: \$715).

MD&A (cont'd)

Dividends

A quarterly dividend of CAD \$0.10 per share was declared on August 4, 2022 and paid on October 17, 2022. Total annual dividends declared during 2021 were CAD \$0.37 per common share.

Outstanding shares

As at November 8, 2022, the Company had 27,092,041 common shares outstanding.

TRANSACTIONS WITH RELATED PARTIES

During the quarter, the Company paid \$42 (2021: \$42) to companies controlled by the Chairman of the Company for use of office facilities; year-to-date \$127 (2021: \$133).

In March 2018, the Company provided a share purchase loan of CAD \$500 to the President and Chief Operating Officer that bears interest at 1%. In June 2019, the Company provided share purchase loans of CAD \$300 to the Executive Vice President, General Counsel; and CAD \$92 to the President and Chief Operating Officer that bear interest at 2%. The loan to the Executive Vice President, General Counsel was repaid in May 2022. In April 2022 the Company loaned \$1,750 to the CEO of ADG, secured by shares of the Company, bearing interest at 1%. All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities, and maturity. All loans are full recourse and interest is due and payable semi-annually. In total, 141,178 shares of the Company having a fair value of \$860 were pledged as collateral on these loans. At September 30, 2022, the loans receivable of \$2,191, including accrued interest, were included in Other Assets on the interim condensed consolidated statement of financial position. During the quarter, interest revenue of \$1 (2021: nil) was received; year-to-date \$8 (2021: \$5)

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2021, have been applied consistently to all periods presented in these interim condensed consolidated financial statements for the period ended September 30, 2022.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent quarter, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At September 30, 2022, the Company had contracts to sell USD \$34,818 from October 2022 to September 2023 for Canadian dollars ("CAD") \$46,000. The fair value of these contracts, representing an unrealized loss of \$1,257, are included in trade and other payables, including derivatives on the statement of financial position. For the quarter ended September 30, 2022, the unrealized changes in fair value, representing a loss of \$1,124 (2021: \$699), are recorded on the statement of profit as other income (expense); year-to-date \$1,204 (2021: \$1,087).

At December 31, 2022, the Company had contracts to sell USD \$16,617 from January 2022 to September 2022 for CAD \$21,000. The fair value of those contracts, representing an unrealized loss of \$53 are included in trade and other payables, including derivatives on the statement of financial position.

Interest rate swap

In December 2021, the Company entered into an interest rate swap agreement for a notional amount of \$28,125 (\$24,844 as at September 30, 2022) amortizing down to \$24,375 at maturity in January 2023. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.265%. This swap agreement replaces a previously existing swap agreement that matured in December 2021 that calculated interest based on the difference between the floating rate of USD LIBOR and the fixed rate of 1.69%.

For the quarter ended September 30, 2022, interest recovery on the swap agreement was \$104 (2021: expense of \$12); year-to-date \$32 (2021: expense of \$32).

At September 30, 2022, the fair value of this agreement, representing a gain of \$249, is included in loans and borrowings on the statement of financial position. For the quarter ended September 30, 2022, the change in the fair value, representing a loss of \$68 (2021: \$85) is recorded on the statement of profit as finance costs; year-to-date gain of \$201 (2021: loss of \$61).

At December 31, 2021, the fair value of this agreement, representing a gain of \$48, was included in loans and borrowings on the statement of financial position.

MD&A (cont'd)

The Company entered into this interest rate swap agreement in order to fix the interest rate on a portion of its borrowings and does not hold it for trading or speculative purposes.

November 8, 2022



Gren Schoch
Chairman and Chief Executive Officer



Frank Ientile
Chief Financial Officer